

January 6, 2006

Maine Milk Commission Public Hearing Minutes  
Deering Building, Room 319  
Augusta, Maine 04333

Notices for the January 6, 2006 public hearing were distributed to Commission members, intervenors and other interested parties November 18, 2005 and sent to the Secretary of State's Office for posting on 11/28/05.

**Commission Present:** Chair, Michael Wiers, Colon Durrell, John Joseph Jr., Katherine O. Musgrave and Shelley Doak.

**Commission Absent:** None

**Department Officials:** None

**Staff Present:** Stanley Millay, Executive Director, and Carol Gauthier clerical assistant

**Legal Counsel:** Lucinda White, Assistant Attorney General.

Hearing called to order at 10:10 A.M. by chair, Michael Wiers.

Stan Millay explained that this public hearing was for the purpose of replacing Chapter 26 Producer Margins. Specifically, it was an opportunity for interested parties to testify before the Commission on the Cost of Production Study results recently completed for the Commission by Timothy Dalton and Lisa Bragg of the University of Maine. Written comment period open through January 16, 2006.

The following people provided testimony to the Commission.

Fred Hardy, MDIA & Retired Dairy Farmer New Sharon, ME	Dale Cole, President, MDIA & Dairy Farmer Sidney ME	Walter Fletcher III Dairy Farmer Pittsfield ME
John Palmer Dairy Farmer Highland Farms Cornish ME	Brian Wright Dairy Farmer Wright Farms Clinton ME	Harold Larrabee Dairy Farmer Knox ME
Peter Waterman Dairy Farmer Sabattus, ME	Elizabeth Bullard Dairy Farmer Turner ME	David Wadsworth Grain Dealer Feed Commodities, Inc. Detroit ME

The nine people listed above were generally in agreement with the findings of the study but urged the Commission to consider the impact of increases in energy prices and increases in other cost factors since the collection of the data in 2004 upon which the study is based.

These testifiers noted the importance of the dairy industry on Maine's economy and the impact of dairying in Maine on maintaining open space and providing recreational opportunities enjoyed by many Maine citizens.

Harold Larrabee, a Knox dairy farmer milking 400 cows stated that his farm is in Tier-three (large size). He said that he couldn't produce milk for the support price in this category. Mr. Larrabee reported increases from 2004 to 2005 in his farm's costs of fuel, feed, trucking, labor and insurance. He urged the Commission to do all they could during this study because the next study would not be done for three years. He pointed out that Maine lost 4% of its active farms in 2005 and lost over 2.5% of its production in 2005 when compared to 2004.

Dale Cole, President of the Maine Dairy Industry Association (MDIA) and dairy farmer reported in his written comments that the uncertainties in milk prices make it difficult for Maine dairy farmers to recover what it really costs to produce milk in Maine. He pointed out that the Dairy Stabilization Program, referred to as the Tier program, enacted by legislature put a floor price under dairy. But it falls short because it is based on the short-run breakeven (SRBE) cost of producing milk and does not include interest, depreciation and other capitalization costs.

Mr. Cole went on to say that the Commission cannot do anything about the statutory language adopting the SRBE costs, but had discretion in setting the production ranges that correspond with the three tier levels. He explained that this study is very different from the study in 2002 when comparing the farms in each tier. He stated that the average size of the farm in the second or medium tier has increased significantly, so the costs of production in this tier have changed from the last study. He said that the lower costs of production for the larger farms in this tier have reduced the average costs for this group when compared to the 2002 study. He added that the smaller farms in the second tier that have generally higher costs of production receive less support. Mr. Cole urged the Commission to expand the production range for tier one so that the smaller farms in the second tier would stay in tier one longer and thus receive a higher level of support for a greater period of time.

Brian Wright provided in written form a comparison of his farm's costs from 2003 to 2005 in five categories: trucking, fuel, feed, fertilizer and insurance. He pointed out that many of the increases have come after the data was collected in 2004 that is used in this cost of production study.

Walter Fletcher, dairy farmer milking 150 cows reported increases from 2004 to 2005 in his farm's costs of fuel, fertilizer, labor, interest and insurance. Mr. Fletcher agreed with Mr. Cole that the average size of the farm in the second or medium tier has increased significantly, so the costs of production in this tier have changed. He said that the lower costs of production for the larger farms in the second and third tier have reduced the average costs for the smaller farms in those tiers. He asked that the Commission consider this when adopting new production costs and ranges.

John Palmer told the Commission that his was a fifth generation dairy farm milking 200 cows, and his family was in dairying for the long haul. He reported increases from 2004 to 2005 in his farm's costs of fuel, repairs, electricity and insurance. He stated that in his area of the state, open space was very important and farmland lost to houses was gone from agricultural purposes forever.

Peter Waterman, a former member of the Governor's Task Force on the Sustainability of the Dairy Industry in Maine and a dairy farmer in Sabattus, pointed out that the Tier program falls short because it is based on the short-run breakeven (SRBE) cost of producing milk and does not include interest, depreciation and other capitalization costs as the Task Force recommended. He stated that dairy farmers must recover their costs in order to stay in business.

Fred Hardy, MDIA Secretary/Treasurer and retired dairy farmer, pointed out that decreases in the number of dairy farms and decreases in milk production in the past year show a trend. He pointed out that the Dairy Task Force recommended that interest, depreciation and other capitalization costs be included in the Tier program. He said that the Tier program is based on the short-run breakeven (SRBE) cost of producing milk and therefore does not provide a realistic safety net for Maine dairy farmers.

Elizabeth Bullard, ninth generation dairy farmer on her land milking 250 cows, told the Commission that she thought they did a good job and that the Dairy Task Force had made good recommendations. She reported that her costs of fuel have increased 30% over 2004 while insurance costs have gone up 16% during the same time period. She stated that open space was very important to her and that it was important to others. She said that farmland lost to houses was gone from agricultural purposes forever and was destroying the way Maine is perceived to be.

**Hearing Adjourned:** 10:50 A.M.

Stanley Millay, Executive Director, Maine Milk Commission.